

Debt Service Section

[Link to Debt Service Pie Chart, 12 KB .pdf](#)

DEBT SERVICE PROGRAM PLAN

Issues and Priorities

Debt service expenditures, the result of King County's bonded indebtedness, include payments of mature bonds interest and bond reserve requirements. Under the most favorable circumstances, a government's debt would be proportionate to the size and growth of its tax base, would not require repayment schedules that put excessive burden on operating expenditures, and would not be so high as to jeopardize its credit rating. In terms of its legal debt margin, King County's outstanding general obligation debt falls well below half of the debt limit calculated as a percent of total assessed value. See the County's CAFR (Comprehensive Annual Financial Statement) for details.

Regional capital needs are straining the financial resources of the County's local governments. This condition is being addressed by government oversight organizations and the County.

The idea of a regional capital financing oversight body has been taken up by The Greater Seattle Chamber of Commerce (The Chamber), the League of Women Voters, and the Municipal League. A Capital Finance Review Board (Board) has been organized and has begun work reviewing ballot measures proposed for each election and informing voters on capital projects. Information that the Board provides includes whether capital projects meet local and regional policy goals, are based on community needs, project their costs and tax impacts realistically within the context of current and anticipated debt, and are developed through open discussion between citizens and their representatives.

The Growth Management Act and the County's Comprehensive Plan are providing ways for the County to determine its critical capital needs and any funding gaps to critical capital infrastructure. If the County is not providing critical capital infrastructure such as roads to growing areas, then growth cannot take place under the Growth Management Act unless service standards are altered. These requirements have facilitated a lively debate about how capital infrastructure is financed and will lead to some long-term solutions to local government capital financing.

This process requires that King County take into consideration the capital needs of other governments in King County in an effort to determine how to develop a regional approach to prioritizing and financing major public capital projects such as transportation, housing, health facilities, parks and open space, and corrections facilities. The facilities component to the County Comprehensive Plan will ultimately address not only capital needs, but also financing options available to address those needs. The facilities plan will give the County a basis upon which to plan for future funding scenarios.

Debt service expenditures create ongoing obligations that compete with programmatic funding. Consequently, there is concern that debt service obligations be limited to financing high priority needs that cannot be financed from immediately available resources. Consistent with an Executive proposed 5% limit on Current Expense Revenues dedicated to debt service, the Executive 2001-2005 Current Expense Debt Service Plan limits proposed commitment to new projects to conform to that proposed spending restriction. This results in no additional Current Expense Debt issuance's being proposed in 2001 and a 2001 through 2005 Plan that maintains that ratio of debt to revenue in a range of 3.7% to 4.8%.

DEBT SERVICE PROGRAM PLAN

Near Term Plans for Issuing Limited General Obligation or Revenue Bonds

Proposed 2001 Bond Financed CIP	
Wastewater Revenue Bonds	96,133,000
Airport projects	12,900,000
Parks: Ballfield development projects*	10,000,000
Water and Land Resources projects*	5,000,000
Arts and Heritage: Large Projects	2,500,000

* CIP Programs and Projects appropriated in 2000 which will continue into 2001.

DEBT SERVICE PROGRAM PLAN

2001

The 2001 Executive Proposed Budget anticipates the issuance, of limited general obligation bonds and revenue bonds to finance a variety of projects. Debt service on the bond issue will be paid from the various County funds, as indicated below. The projects include:

Parks: \$10.0 million of limited general obligation bonds will finance the development of ballfields. An initial [interfund] borrowing of \$6.2mm was obligated in 2000. Debt service to be paid by REET 2.

Water and Land Resources: \$5 million of limited general obligation bonds will finance the repair and rehabilitation of various Surface Water, Drainage and River Improvement projects. This borrowing was anticipated to occur in 2000, but will take place in 2001. Debt Service to be paid by SWM.

Airport: \$12.9 million of limited general obligation bonds will finance the repair and rehabilitation of various Airport facilities. \$1.5mm was anticipated in 2000 but was postponed until 2001. Debt service to be paid by the Airport fund.

Wastewater Capital: The Wastewater Capital Fund will be issuing approximately \$96 million in revenue bonds in 2001, backed by their fees for service. Financed projects include facility improvements to the West Point and Renton plants, as well as improvements to transmission facilities.

Council Adopted Budget:

The Council Adopted budget includes an additional \$3.4 million of debt service budget authority in the Unlimited General Obligation Bond Redemption Fund (8500). This increase is primarily due to the issuance of the \$29.1 million borrowing installment made possible by the September 2000 voter approval of the \$193.1 million Harborview Medical Center Seismic, Health and Safety Improvement General Obligation Bond proposal.

[Link to Debt Service Program Plan Table, 5 KB .pdf](#)